

Congress of the United States
Washington, DC 20515

February 14, 2019

The Honorable Joseph M. Otting
Acting Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, D.C. 20219

Dear Acting Director Otting:

I am writing you today regarding my ongoing concern surrounding the Financial Accounting Standards Board's (FASB) Current Expected Credit Loss (CECL) accounting standard.

On December 11, 2018 the House Financial Services Subcommittee on Financial Institutions and Consumer Credit held a hearing entitled "Assessing the Impact of FASB's Current Expected Credit Loss (CECL) Accounting Standard on Financial Institutions and the Economy." Throughout the hearing members on both sides of the aisle expressed vigorous opposition to the new standard. Prior to and following the hearing, the Committee and FASB have also received numerous concerns from financial institutions of varying sizes and business models regarding CECL's potentially damaging effects on consumers' access to financial services.

By requiring the lifetime credit losses for existing loans to be observed up front, CECL will force financial institutions to increase their credit loss reserves which could lead to decreased lending or the rising cost of certain products. This is particularly threatening to mortgage rates and availability. Because Fannie Mae and Freddie Mac are currently subject to private sector GAAP accounting requirements, they will also be forced to comply with CECL.

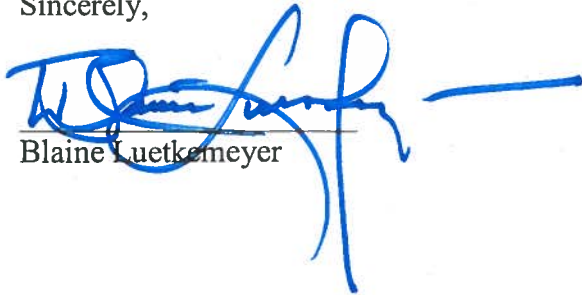
As the Acting Director of the Federal Housing Finance Agency (FHFA), you are ultimately responsible for ensuring the safety and soundness of the Government Sponsored Enterprises (GSEs). To that effect I respectfully ask that you answer the following questions:

- How much additional reserves will the GSEs be forced to reserve under CECL?
- Where do the GSEs intend to get the capital to place in reserves? Do the GSEs intend to raise guarantee fees?
- Will the cost of additional reserves affect the ability of Fannie Mae and Freddie Mac to meet their affordable housing goals?
- What effect will the additional reserves have on mortgage costs, particularly for low-income borrowers?

With over \$5 trillion in mortgage backed securities and the federal government investing in or insuring over 90 percent of mortgages in the United States, understanding the effects CECL will have on the GSEs is vital. As a key aspect of the economy and housing market, the effects of

CECL on the GSEs must be fully understood before its implementation. I thank you in advance for your prompt response.

Sincerely,

A handwritten signature in blue ink, appearing to read "Blaine Luetkemeyer", followed by a horizontal line.

Blaine Luetkemeyer